



City Manager's Office
City of Frisco, Texas

Memorandum

To: Members of the Frisco Community Development Corporation

Cc: George A. Purefoy, City Manager

From: Ron Patterson, Assistant City Manager

Date: 11/10/2009

Agenda Caption: Consider and act upon approval of a Subordination Agreement by and between the Frisco Community Development Corporation and Champions United Holdings, LLC. (CMO\RP)

Action Requested:

Approval of a subordination agreement with Champions United Holdings, LLC.

Background Information:

At the time Champions United Holdings, LLC (commonly known as "WOGA" gymnastics located across from the Frisco Athletic Center) was developing the Frisco Community Development Corporation ("FCDC") and the City of Frisco ("City") provided economic incentives to assist them with the construction of their facility.

As part of the incentives provided the FCDC assisted with the purchase of land in the form of a \$300,000 loan to WOGA that is secured by a second lien on the property. The loan has a "forgiveness" provision that allows WOGA to earn its way out of re-paying the loan so long as certain defined performance criteria is met by WOGA (over a 10 year period). Additionally, the City front funded the infrastructure (site work, paving, water and sewer) to get the lot prepared for the vertical construction. As part of the agreement these infrastructure funds are to be repaid by WOGA.

WOGA has paid back a portion of the funds for the infrastructure, however, it still owes \$372,644 to the City. WOGA currently has \$256,000 left to draw from its initial construction account on the building, which they are willing to use toward paying down their debt under the agreement, and they have obtained approval from a bank to loan them the additional \$116,000 required to cover the difference between what they owe and what they have in their construction account. The bank is requesting that the FCDC subordinate its second lien on the new \$116,000 loan being made to WOGA. Since the money is being used to re-pay the cost of the infrastructure for the project and the FCDC would still have a position in the property, subject to the liens, the request is reasonable.

Board Review/Citizen Input:

NA

Alternatives:

NA

Financial Considerations:

None.

Legal Review:

The document was prepared by the City Attorney's office.

Supporting Documents:

Subordination Agreement

Staff Recommendation:

Staff recommends approval as submitted.